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No. 92-1345

In The

Supreme Court of the United States

October Term, 1992

DR. ERICH PLATZER, DR. KARL WELTE AND DR. ROLAND MERTELSMANN,

Petitioners,

vs.

SLOAN-KETTERING INSTITUTE FOR CANCER RESEARCH,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF OF PETITIONERS

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Petitioners, Dr. Erich Platzer, Dr. Karl Welte and Dr. Roland Mertelsmann, respectfully submit this Reply Brief in support of their Petition for a writ of certiorari to the United States Court of Appeals for the Federal Circuit.[1]

1. References to the Brief in Opposition are cited as "Opp. __", and to its Appendix as "Opp. __a".

Respondent, Sloan-Kettering Institute for Cancer Research, Inc. ("SKI"), does not dispute that this is the first case requiring interpretation of a major piece of legislation enacted to stimulate the American economy by encouraging invention and its commercial application, or that the lower courts have sanctioned a mechanism that undermines the statutory framework and thereby frustrates its purpose.

In an effort to avoid review by this Court, however, SKI has distorted important facts which are not in dispute, and has drawn incorrect conclusions as to the purpose and intent of the statute by perverting the plain statutory language and ignoring authoritative statements of congressional intent.

REPLY STATEMENT OF THE CASE

A. SKI's Royalty-Sharing Policy Was Unilaterally Adopted And Imposed.

In order to ensure that royalty-sharing arrangements with inventors are substantively reviewed and approved by government agencies, the relevant section of the Bayh-Dole Act, 35 U.S.C. § 202(c)(7)(B), explicitly provides that funding agreements between such agencies and non-profit institutions must themselves contain the required provision. Although SKI knows quite well that the agreements in this case *did not* contain the required provision, and that no government agency reviewed its unilaterally-adopted policy, it would like to leave a contrary impression with this Court.

At an earlier stage of this case, when SKI was pursuing a different tact, it disclosed to the district court in an affidavit of its attorney, Steven B. Rosenfeld, Esq., that prior to the commencement of litigation, SKI had voluntarily produced documents to Petitioners, and that among such documents was a 1969 Institutional Patent Agreement between SKI and the

Department of Health, Education and Welfare, which Mr. Rosenfeld attached to his affidavit and acknowledged was "the only government 'funding agreement' covering the research done by [Petitioners] while they were employed at [SKI]".[2] In that agreement, which predated the Bayh-Dole Act by many years, the only provision governing royalty sharing with inventors is a 15% *limitation* on the amount which could be shared with inventors. That provision was expressly repealed and deleted from all such agreements by regulation promulgated in 1981 by the Department of Health and Human Services to bring such agreements into compliance with the Bayh-Dole Act. HHS Regulation, 46 F.R. 62548 (1981). The regulation states that its purpose is to remove the 15% limitation on royalty sharing with inventors. As Mr. Rosenfeld has admitted on behalf of SKI, no new royalty-sharing provision was thereafter incorporated in any funding agreement. Accordingly, it is most disingenuous for SKI to argue to this Court that because the complaint alleged that the required provision was a part of the funding agreements, "either expressly or by operation of law" (Opp. 2), that the provision was reviewed by a government agency; no such review took place.

B. SKI's Royalty-Sharing Practices Do Not Compare With Those Of Other Institutions.

In paragraph 36 of their complaint (Opp. 9a), which must be accepted as true at the pleading stage, Petitioners alleged that research institutions throughout the United States have adopted royalty-sharing policies in compliance with the statute. They alleged that they were "unaware of any other institution which has a policy which is anywhere as parsimonious as the restrictive and overreaching policy which SKI has enforced against [Petitioners]". Moreover, SKI admitted in the lower courts that its "royalty-sharing practices pursuant to its Patent Policy . . . are

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2. Joint Appendix, Fed. Cir., 42-46.

neither the same as, nor comparable to, the practices of certain other non-profit institutions". (Joint Appendix, Fed. Cir., 285). Petitioners' survey of the practices of other institutions was submitted to the lower courts solely to amplify this undisputed allegation, and not to alter the facts. Accordingly, SKI's objection to the survey, the accuracy of which it does not contest, is quite baseless.

REASONS FOR GRANTING THE WRIT

I.

THE PETITION RAISES IMPORTANT FIRST IMPRESSION ISSUES OF STATUTORY CONSTRUCTION.

Contrary to SKI's argument, the fact that this is an important case of first impression regarding construction of a federal statute augments, rather than detracts from, the reasons for granting certiorari. *See, e.g., American Federation of Musicians v. Wittstein,* 379 U.S. 171, 175 (1964).

Moreover, this case involves the administration of a federal statute, and certiorari is often granted to ensure the proper administration of federal statutes. *See, e.g., N.L.R.B. v. District 50, United Mine Workers of America,* 355 U.S. 453, 458 (1958) (administration of National Labor Relations Act); *DeSylva v. Ballentine,* 351 U.S. 570, 572 (1956) (administration of Copyright Act); *Federal Power Commission v. Sierra Pacific Power Co.,* 350 U.S. 348, 352 (1956) (administration of Federal Power Act); *United Gas Pipe Line Co.* v. *Mobile Gas Service Corp.,* 350 U.S. 332, 337-38 (1956) (administration of Natural Gas Act).

SKI contends that because no similar case has apparently arisen since the Bayh-Dole Act became effective in 1981, this

Petition does not warrant the Court's consideration. However, SKI ignores the significant and time-consuming events likely to precede litigation under this statute. In the present case, Petitioners' research was proposed in 1981, shortly after the Bayh-Dole Act became effective, and was conducted between 1982 and 1984 (Opp. 5a-6a). Development of the resulting drug followed, and royalties were first realized in November 1990 (Opp. 7a-8a). The present case was filed in September 1991 (Opp. 13a). It is, therefore, too soon after the enactment of the Bayh-Dole Act to conclude that the present case is an isolated dispute under that statute.

If the result below is permitted to stand, however, other major institutions, which have heretofore been sharing royalties with inventors on a reasonable basis, may well conclude that such a course is neither prudent nor necessary. This would undermine the statute and lead to further litigation.

II.

THE DECISIONS OF THE LOWER COURTS VIOLATE CANONS OF STATUTORY CONSTRUCTION.

The lower courts construed the statute in a manner that fails to give meaningful effect to the royalty-sharing provision, disregarded explicit terms, and ignored legislative history demonstrating that Congress intended that the share paid to inventors must be reasonable. The decisions of the lower courts are thus contrary to this Court's precedents governing statutory construction. It is undeniable from the statutory language, the clear intent and the overall scheme of the statute, that a major purpose of the Bayh-Dole Act was to encourage inventors, and that the utilization of remainder funds by non-profit institutions for additional research was a subsidiary concern. The lower courts

failed to construe the statute in a manner consistent with this congressional intent and thus contrary to this Court's dictates. *See, e.g., Rosado v. Wyman,* 397 U.S. 397, 415 (1970); *Commissioner of Internal Revenue v. Brown,* 380 U.S. 563, 571 (1965); *Rathbun v. United States,* 355 U.S. 107, 109 (1957); *State of Wisconsin v. J.C. Penney Co.,* 311 U.S. 435, 443 (1940); *United States v. American Trucking Ass'ns,* 310 U.S. 534, 542-44 (1940).

In construing the statutory provision to allow the payment of any *de minimis* amount to inventors, the lower courts failed to give effect to certain governing terms contained in 35 U.S.C.§ 202(c), which provide that the funding agreement must be "appropriate" "to effectuate" all of the enumerated requirements, including the requirement that the non-profit institution share royalties with inventors. Contrary to SKI's unsupported statement, the word "appropriate" is fully synonymous with "reasonable." *Black's Law Dictionary* (6th Ed.). SKI, nevertheless, contends that "appropriate" only refers to "the list of terms which are to be included in the funding agreement." (Opp. 7). Even by SKI's analysis, however, such terms include the royalty-sharing provision, which must be sufficiently "appropriate" "to effectuate" the intent to provide incentives to inventors. The lower courts' reading of the provision is contrary to this Court's holdings that courts must give effect to every word in a statute because of the presumption that Congress uses no superfluous language. *See, e.g., Negonsott v. Samuels,* 61 U.S.L.W. 4185, 4187 (U.S. Feb. 24, 1993); *United States v. Nordic Village, Inc.,* __ U.S. __, 112 S. Ct. 1011, 1015 (1992); *Moskal v. United States,* 498 U.S. 103, 109-10 (1990); *United States v. Menasche,* 348 U.S. 528, 538-39 (1955).

SKI repeatedly quotes the statement in the Senate Report, S. Rep. No. 480, 96th Cong., 1st Sess. (1979) at 33, that Congress did not intend to establish sharing ratios, although Petitioners do not dispute this point. Rather, Petitioners contend that the royalty share must be reasonable to further the statutory purpose. Neither SKI nor the lower courts address the immediately preceding sentence in

the same Senate Report that the statute "gives special recognition to the equity of inventors." *Id.*

Contrary to SKI's arguments, the legislative history confirms what appears obvious from the face of the statute, that Congress intended a reasonable share for inventors. Congress heard testimony from the draftsman of the statute, Norman J. Latker, that the purpose of the statute was to establish "a reasonable share to inventors." (Joint Appendix, Fed. Cir., 183).

The lower courts disregarded Mr. Latker's testimony, although, under this Court's holdings, the views of a statute's draftsman, when they have been communicated to Congress, are a significant source of congressional intent. *See, e.g., Zuber v. Allen,* 396 U.S. 168, 192 (1969).

CONCLUSION

Petitioners respectfully pray that this Court grant a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

Respectfully submitted,

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